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## Canada

### Agricultural Situation

#### This Week in Canadian Agriculture, Issue 39 2004

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**Report Highlights:**

Hog Plant Strike Boosts Live Exports to the U.S. \* EU Challenges U.S. and Canadian Sanctions on Beef Hormone Issue \* Soybean Rust in U.S. Will Not Harm Canada's 2004 Crop Says Grower Group \* Log Shortages Force Tembec to Temporarily Shut Down Mill \* Federal Government Considers Program for Dairy Culls \* The Canadian Restaurant and Foodservices Association Tackles Dairy Prices \* Supply-Managed Poultry and Egg Industries are Significant Economic Contributors Says Study \* Recent Poll Indicates Wheat Board Must Go

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Ottawa [CA1]  
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

*Disclaimer:* Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**HOG PLANT STRIKE BOOSTS LIVE EXPORTS TO U.S. DESPITE DUMPING DUTY:** Despite U.S. anti-dumping duties, Ontario Pork, the provincial pork marketing association representing 3,800 Ontario hog producers and the largest exporter of live hogs to the United States, has made arrangements to export additional slaughter hogs to the United States while a strike at a mid-size processing plant enters its second week. Workers at Quality Meat Packers in Toronto have been on strike for ten days. The plant normally slaughters about 28,000 head per week. According to Ontario Pork, it has made alternate arrangements to process 20,000-22,000 hogs in the United States this week, with the balance going to Quebec. On October 15, 2004 the U.S. Department of Commerce imposed a dumping duty of 13.25% on Ontario Pork's live hog exports to the US. Ontario Pork will carry the cost of this duty through its normal export operations and the additional operating costs are shared collectively across all Ontario market hog suppliers through a temporary marketing operations fee. The additional hogs being processed in the U.S. have pushed the marketing operations fee to C\$4.89/hog effective November 1st - 28th, 2004. In the event that the Quality strike is resolved before November 28th, the Board will revisit the fee level to reflect the lower hog numbers crossing the border. Prior to the strike, the fee was C\$2.11/hog.

**EU CHALLENGES U.S. AND CANADIAN SANCTIONS ON BEEF HORMONE ISSUE:** This week, the EU initiated a dispute against Canada and the United States in the World Trade Organization (WTO). The EU challenges Canada's and the United States' sanctions against EU exports because of the EU's ban on hormone-treated beef. The EU purports the sanctions are now illegal since the EU has removed the measures found to be WTO-inconsistent. In July 1999, Canada announced tariffs of 100 percent on imports of beef, pork, cucumbers and gherkins from the European Union (EU). The U.S. list targeted luxury items such as cheese, truffles, mustards, and other delicacies. The dispute has a long history. In 1989, the EU banned the use of growth-promoting hormones in livestock and imposed a ban on the importation of meat derived from cattle treated with these hormones. Both Canada and the United States consistently opposed the EU's import ban on the grounds that it was not based on scientific evidence and therefore created an unjustified barrier to trade.

**SOYBEAN RUST IN U.S. WILL NOT HARM CANADA'S 2004 SOYBEAN CROP:** According to the Ontario Soybean Growers (OSG), the recent confirmation of soybean rust in leaf samples from a Louisiana State University research farm will not have a negative effect on Canada's 2004 soybean crop. The industry has anticipated that soybean rust would eventually show up in North America, and has been very proactive in making preparations. According to OSG, an action plan for Soybean rust is in place and the government and the industry will continue to monitor and revise it as the situation develops. With the disease not yet being detected in Canada and winter settling in, producers in Ontario will take advantage of this time to attend information sessions and workshops to help keep them better informed of the disease. Representatives from the Ontario Ministry of Agriculture and Food (OMAF) anticipate that the disease's impact will be less in Ontario and Canada than the southern United States because of the geographic distance from the pathogens over-wintering locations in the southern U.S. and the Canadian environmental conditions, which are less favorable for the fungus.

**LOG SHORTAGES FORCE TEMBEC TO TEMPORARILY SHUT DOWN SAWMILL:** Tembec, one of Canada's largest forest products companies, has been forced to temporarily shut down operations at their Opasatika, Ontario sawmill. The shutdown officially began on November 5, 2004 and is expected to last 4-6 weeks. According to James Lopez, Executive Vice President and President of the Forest Products Group, the damp conditions experienced during the summer made forest operations very difficult, thereby hindering the mills ability to harvest enough logs to sustain normal production.

Tembec is possibly facing temporary shutdown in another of their northern Ontario sawmills for the same reasons, if conditions do not improve.

**FEDERAL GOVERNMENT CONSIDERS PROGRAM FOR DAIRY CULLS:** The ongoing BSE crisis has the federal government considering a program to help dairy farmers deal with their losses. Dairy farmers are facing a growing glut of low-priced cull cattle, which have limited slaughter availability. The government is receiving pressure from both the opposition parties and the dairy industry to establish floor prices for cull cattle. According to Jacques Laforge, President of the Dairy Farmers of Canada, an open border will not solve the problem of low prices and limited slaughter capacity for cull cows, as the open border will not apply to animals over 30 months of age. The dairy industry cull rate is twice that of the beef industry and the sale of cull cows is normally the profit margin for dairy producers. According to the dairy industry, the recent announcement of the set-aside and loan loss reserve funds for investments in new packing facilities do not meet their needs. The Minister of Agriculture, Andy Mitchell has stated that no decision will be made on a new program for dairy producers until after the Canadian Dairy Commission (CDC) rules on a possible price increase for milk in December. If the CDC agrees to a price increase, this would be second in a year, after they agreed to a price increase last year. The CDC recently denied a price increase in July.

**THE CANADIAN RESTAURANT AND FOODSERVICES ASSOCIATION TACKLES DAIRY PRICES:**

The Canadian Restaurant and Foodservices Association (CRFA) has launched a new website called [www.gotmilked.ca](http://www.gotmilked.ca) in an effort to put a stop to increasing milk prices in Canada. The Canadian Dairy Commission (CDC) is set to make a pricing announcement on December 15, 2004, and according to the CRFA's website, the CDC chairman has said to expect a significant increase. According to the CRFA, dairy prices in Canada are supposed to rise and fall to reflect the cost of dairy production, ensuring a fair return to dairy producers. But year after year, the dairy industry takes advantage of the system by steadily increasing prices even when the cost of dairy production goes down. The CRFA has launched the website to allow foodservice operators and their customers to join the fight for fair dairy prices. The CRFA also states the high price of dairy products is forcing their members to use less dairy and find more affordable alternatives to high-price dairy products. The CRFA states that they and their members want to work with dairy products to deliver value to consumers and grow the market for dairy products, but the high cost of dairy products is hindering their ability to do so. The CRFA was one of the leading groups opposing the mid-year price increase brought before the CDC in June of this year.

**SUPPLY-MANAGED POULTRY MEAT & EGG INDUSTRIES ARE SIGNIFICANT ECONOMIC CONTRIBUTORS CLAIMS STUDY:**

The conclusion of a study conducted by the George Morris Centre, an independent agricultural think-tank, for the Canadian Egg Marketing Agency shows that Canada's egg and poultry production and processing industries make a significant contribution to the Canadian economy and society and contribute to rural Canada's enduring vitality. Together, the industries have total annual revenues of C\$6.9 billion, contribute almost \$13 billion to the Canadian economy, and provide employment for nearly 72,000 people. "Farmers in supply-managed industries provide a vital link in a cycle of stability and investment that helps ensure both the economic and social vitality of Canada's rural communities," said Kevin Grier, Senior Market Analyst with the George Morris Centre. "Supply management provides predictable revenues for producers, improving their ability to make long-term and consistent financial contributions to the communities where they live and work," continued Grier. "Farms operating under supply management are typically smaller, allowing family farms to remain important participants in the social fabric of Canada's rural communities and economies." The two page summary, available on the CEMA website, did not address other egg issues affecting the industry such as quota values, retail prices, or shell egg consumption trends.

**OPPOSITION DAY MOTION WILL INCLUDE PROPOSAL TO BAN TRANS FATS IN CANADA:**

Jack Layton, the leader of Canada's New Democratic Party (NDP), the federal political party with the fewest seats in Canada's Parliament, wants Canada to ban processed trans fats in the food supply. The NDP will introduce a motion in Parliament on November 18, 2004. According to Mr. Layton's press release, the World Health Organization has recommended countries move – as Denmark did last year – to eliminate trans fats. At about 10 grams a day, Canada has one of the world's highest consumption rates of trans fats. In the last year, several Canadian food manufacturers responded to concerns about trans fats in the diet by reducing or eliminating them in their products. Many prepackaged food items for sale at retail, particularly bakery product items, now include package advertising claiming the products are free of trans fats.

**RECENT POLL INDICATES CANADIAN WHEAT BOARD MUST GO:** According to a recent poll done by the Canadian Federation of Independent Businesses (CFIB), a vast majority of its Prairie agri-businesses members want the federal government to eliminate the Canadian Wheat Board's monopoly. The results of the survey revealed that 81 percent of Prairie agri-businesses support increased marketing options, while only 13 percent indicated that they didn't want this option. Within the survey, 73 percent of Prairie agri-businesses indicated that the lack of marketing options with respect to the CWB as the primary limitation to value-added of bulk grain commodities. Lack of marketing option was considered by 48 percent to be part of the problem with persistently low net farm income.

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